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**DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT**  
DIVISION OF WORKFORCE SERVICES  
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**Workforce Services Guidance (WIOA - Cost Classification)**

**Effective Date:** August 17, 2017

**Duration:** Indefinite

**Subject:** Cost Classification

**Purpose:**

To provide guidance on the proper classification of costs to the federally funded programs.

**Scope:**

Adult Education (AE), American Job Center (AJC), American Job Center Access Point (AJC Access Point), Chief Local Elected Official (CLEO), Division of Workforce Services (WFS), Local Workforce Development Areas (LWDAs), Local Workforce Development Boards (LWDBs), Office of the Governor, Office of Registered Apprenticeship (RA), One-Stop Service Delivery System Operator (Operator), Regional Council (RC), Rehabilitation Services (RS), State Workforce Development Board (SWDB), Tennessee Department of Education (TDOE), Tennessee Department of Economic and Community Development (TDECD), Tennessee Department of Human Services (TDHS), Tennessee Department of Labor and Workforce Development (TDLWD), Tennessee Eligible Training Providers (TETPs), Workforce Innovation and Opportunity Act (WIOA), Workforce System Partners (Partners), Workforce System Subrecipients (Subrecipients)

**References:**

2 CFR 200.56; 2 CFR Parts 200, 215, 225, 230; 2 CFR 200.412; 2 CFR 200.413(a); 2 CFR 2900; 20 CFR 683.215; 20 CFR 683.215(a); 20 CFR 683.215(b); 20 CFR 683.215(c); 48 FAR 31; WIOA Section 128(b)(4)(A); WIOA Section 184; WIOA Section 185; One-Stop Financial Management Technical Assistance Guide (TAG) Parts I and II.

**Background:**

Recipients and subrecipients of a Federal award under Title I of the Workforce Innovation and Opportunity Act (WIOA) and the Wagner-Peyser Act must follow the Uniform Guidance at **2 CFR Parts 200, 215, 225, 230 and 48 FAR 31**, including any exceptions identified by the Department at **2 CFR Part 2900** (see also WIOA, section 184(a)(3)). Recipients of funds awarded under Title I of WIOA must establish a sound financial management system of controls that comply with the applicable uniform administrative requirements, cost principles, and audit requirements. Recipients of WIOA Title I funds are responsible for the efficient and effective administration of awards through the application of sound management practices, and in a manner consistent with the Generally Accepted Accounting Principles (GAAP).

With the classification of costs there is no universal rule for classifying certain costs as either direct or indirect (Finance and Administration [F&A]) under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose is treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards. **(2 CFR 200.412)**

**I. Direct and Indirect Cost:**

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs. **(2 CFR 200.413[a])**

Indirect (F&A) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived. **(2 CFR Part 200.56)**

There are two basic cost categories for the WIOA Title I B grants to include Administrative and Program. Direct and indirect costs can be either Administrative or Program.

**II. Two Basic Cost Categories:** [TAG, Section II-5]

There are only two cost categories for the WIOA Title I B grants. These categories

are:

- Program Costs
- Administration Costs

While there are only two cost categories, the number of reporting categories may be larger. Thus, the number of necessary cost objectives increases. The reporting formats for WIOA Title I programs indicate that an organization must also report program income, both earned and expended, as well as the non-Federal costs of each program. Grantees should carefully review their systems for charging costs to ensure that all the cost activities may be adequately accounted for and that the costs reported on the applicable quarterly Federal expenditure reports (e.g., Quarterly Financial Status Report [QFSR]) are traceable to both the accounting system and source documentation.

### **III. Cost Classification:** Reference TAG, Section II-5

Cost classification is described as the process used to assign allowable costs to the benefiting cost objectives in the grantee's general ledger or official books of account. Every cost expended for allowable DOL/ETA grant activity must be traceable, through the accounting system, to the source documentation that supports all expenditures and to the data provided on required financial reports (see also WIOA, section 185(a)(1)).

#### **A. Cost Category - Administrative:**

Administrative costs are the allocable portion of necessary and reasonable allowable costs that are associated to specific functions, and which are not related to the direct provision of workforce investment services, including services to participants and employers. These costs can be both personnel and non-personnel and both direct and indirect. **(20 CFR 683.215(b))**

General allowable costs include, but are not limited to the following:

1. General administrative functions such as accounting;
2. Financial and cash management;
3. Procurement, contracting, negotiating activities;
4. Property management duties;
5. Personnel management, and payroll;
6. Audit functions and those duties associated with coordinating the resolution of findings originating from audits, monitoring, incident reports, or other investigations;
7. General legal services;
8. Performing oversight and monitoring related to WIOA of administrative functions;
9. Costs of goods and services required for administrative functions of the program, including goods and services such as rental or purchase of

- equipment, utilities, office supplies, postage, and rental and maintenance of office space;
10. The cost of awards made to sub-recipient or vendor organizations for administrative services of the awarding agency (e.g., a payroll service for staff or participants);
  11. Travel costs incurred for official business in carrying out administrative activities or the overall management of the WIOA system;
  12. Costs of information systems related to administrative functions, (e.g., personnel, procurement, purchasing, property management, accounting and payroll systems) including the purchase, systems development, and operating costs of such systems.
  13. Awards to subrecipients or vendors that are solely for the performance of administrative functions are classified as administrative costs; and
  14. Personnel and related non-personnel costs of staff who perform both administrative functions specified above, and programmatic services or activities must be allocated as administrative or program costs to the benefitting cost objectives/categories based on documented distributions of actual time worked or other equitable cost allocation methods.

**B. Cost Category - Program: [Reference 20 CFR 683.215(c)]**

Costs directly related to the provision of workforce investment activities that are not defined as administrative are considered program costs.

Allowable costs by function include, but are not limited to, the following:

1. Personnel and related non-personnel costs for individuals directly engaged in providing direct training and employment services;
2. Other personnel and related non-personnel costs of program managers, supervisors and/or coordinators, whose time has been properly allocated among benefitting cost categories;
3. Miscellaneous allowable costs including payment to vendors for goods or services procured for the benefit of program participants in the receipt of direct training services;
4. Payment related to on-the-job training programs, customized training, and work experience;
5. Participant payments — including supportive services required for participation, but which the participant cannot afford — and services needed to assist participants to secure and retain employment;
6. Tracking or monitoring of participants and performance information;
7. Employment statistics information including job listing information, job skills information, and demand occupations;
8. Performance and program cost information on eligible providers of training services, youth activities, and appropriate education activities;
9. Local area performance information; and

| <b>Matrix of Specific Cost and Category Classification</b> |              |                |
|--|--------------|----------------|
| <b>Grantee Costs</b>                                       | <b>Admin</b> | <b>Program</b> |
| <b>Staff:</b>  |              |                |
| Accounting   | X            |                |
| Administrative Overhead                                    | X            |                |
| Advertising  | X            | X              |
| Audit Functions  | X            |                |
| Audit Staff  | X            |                |
| Automatic Data Processing                                  | X            | X              |
| Budgeting  | X            |                |
| Career Coaching  |              | X              |
| Clerical Asst. to a Supervisor                             | X            | X              |
| Clerical Asst. to Training Personnel                       |              | X              |
| Coordination of Participant Services                       |              | X              |
| Counseling   |              | X              |
| Data Processing Staff                                      | X            | X              |
| Development of OJT/WE Training Plans                       |              | X              |
| Eligibility Determination                                  |              | X              |
| Executive Staff  | X            | X              |
| Fiscal Staff   | X            |                |
| Follow-Up Analysis   |              | X              |
| Initial Assessment   |              | X              |
| Intake   |              | X              |
| Job Coach  |              | X              |

| <b>Matrix of Specific Cost and Category Classification</b>                             |              |                |
|--|--------------|----------------|
| <b>Grantee Costs</b>   | <b>Admin</b> | <b>Program</b> |
| JobDeveloper   |              | X              |
| Job Search Assistance  |              | X              |
| Labor Market Analysis  |              | X              |
| Legal Staff  | X            |                |
| Maintenance Staff  | X            | X              |
| Monitoring   | X            | X              |
| Objective Assessment (Employability/Testing)   |              | X              |
| Outreach to Employers to Obtain Job Listings   |              | X              |
| Participant Follow-Up  |              | X              |
| Personnel Staff  | X            |                |
| Placement Staff  |              | X              |
| Program Analyst  |              | X              |
| Program Design/Curriculum  |              | X              |
| Supervisors  | X            | X              |
| Training Personnel (includes remedial education, basic skills, institutional training) |              | X              |

10. General allowable costs incurred by the Local Workforce Investment Board (LWIB) or the grant recipient for preparing program projects, agreements, and supervision of program staff.

**C. Only the Following Title I B Entities Will Incur Costs to be Reported as Administrative Costs (Reference 20 CFR 683.215[a]):**

1. The State (as the grant recipient);
2. The State Workforce Development Board (SWDB);
3. The Local Workforce Development Board (LWDB);
4. The local direct grant recipient;
5. The local direct grant sub-recipient and/or fiscal agent whose sole purpose is to assist in the administration of grant funds; and
6. The local One-Stop operator.

**D. Administrative Costs and Limitation:**

WIOA Title I B formula grants: Administrative costs are limited in the WIOA Title I B program to a maximum of 10 percent of the total program year allocation at the local level for carrying out workforce investment activities. **(WIOA Section 128[b][4][A]).**

**E. The Cost Classification:**

The cost classification structure must provide the capability to track costs for each of the two categories, **Administrative** and **Program**, and provide supporting documentation in support of how each cost is charged. Source documentation is the proof that costs reported are, in fact, allowable and allocable to the grant. Such items as cancelled checks, invoices, purchase orders, paid bills, payrolls, time and attendance records, and contract and sub-award documents are just some examples of acceptable source documentation. When supporting documentation cannot be provided for every dollar expended under the grant then a questioned cost will be flagged — this may result in a disallowed cost.

**F. Cost Classification Matrix:**

The matrix of costs included is presented only as a guide for the classification of WIOA costs and is not all inclusive. Careful consideration must be given to the activity with which a cost is associated and the category which benefits from the related activity. Also consider the provisions codified at **20 CFR 683.215** that provide for the classification of all allowable costs associated with contracts/subcontracts/sub-grants awarded for the primary purpose of delivering programmatic services as program costs. This includes costs that ordinarily would be classified as administrative costs.

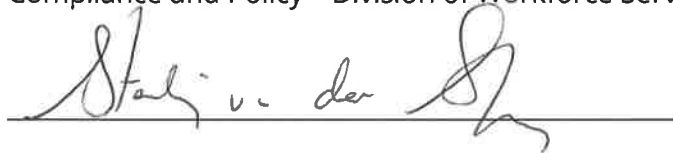
|                               |   |   |
|-------------------------------|---|---|
| <b>Other:</b>                 |   |   |
| Capital Expenditures          | X | X |
| Communication                 | X | X |
| Equipment Expenditures        | X | X |
| Indirect Costs                | X | X |
| Insurance and Indemnification | X | X |
| Interest                      | X | X |
| Maintenance and Repair        | X | X |
| Management Studies            | X | X |
| Materials and Supplies        | X | X |
| Memberships                   | X | X |
| Motor Pools                   | X | X |
| Premises                      | X | X |
| Professional Services         | X | X |
| Profits                       | X | X |
| Publication and Printing      | X | X |
| Rental Costs                  | X | X |
| Staff Training and Education  | X | X |
| Subscriptions                 | X | X |
| Taxes                         | X | X |
| Transportation                | X | X |
| Travel                        | X | X |
| Utilities                     | X | X |

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**Duration: Indefinite**

**Contact:**

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